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# Silver, and Our Trade with Asia

BY

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## Our Exchanges with Asia

### The Silver Question—Mr. Moreton Frewen at the Canadian Club.

THE philosophy of silver coinage was explained to the members of the Canadian Club by Mr. Moreton Frewen in an interesting address delivered before that body yesterday. There was a good attendance. In the absence of Mr. J. N. Ellis, the President of the Club, who had been called away on business, the Vice-President, Mr. W. H. Malkin, presided. Seated with him at the head of the table were Messrs. P. C. Wade, K.C., Mr. Ewing Buchan, Mr. D. Von Cramer, Mr. William Godfrey, Capt. Hart-McHarg, Mr. Adolphus Williams, Mr. Robert Kelly, and others.

Mr. Malkin, in introducing the guest of the day, said that anything concerning trade and commerce should be particularly interesting to a body like the Canadian Club, composed largely of business men. They were fortunate in having with them in Mr. Moreton Frewen a world-wide authority on the much debated but little understood subject of finance. For the past thirty years he had been recognised as an authority by all the leading countries of the world. It was not the first time he had addressed a Canadian Club or visited Vancouver. He was here when Seattle had a population of about 6,000, and the site of Vancouver was covered by virgin forest. Mr. Frewen would address them on the fall of silver and its effect on the commerce of the Pacific Coast.

Mr. Frewen, who was received with applause, said:

Mr. President and Gentlemen—

Twice in the past few months I have been privileged to sit at your hospitable table. On the former oc-

casional, Lord Milner gave us one of those delightful essays on the Federal arrangement of the Empire—the give-and-take required between the various component states, which essays are not the least of Lord Milner's claims as an Empire builder. And quite recently you had as your guest Mr. Dawson, whose admirable newspaper, Mr. Pearson's latest endowment, is carrying into every village club at home the Spring song of our Empire; a knowledge of it, and a growth both of interest and of devotion. Mr. Dawson's is indeed an admirable work. Now I frankly say that greatly do I envy such men as Lord Milner and Lord Grey, that splendid Appian road by which they pass on to their goal. They foresee clearly—and this is perhaps as true of the Governor-General of Canada as of any man now living—that the preparation of any Constitution for the Empire will require two things, and two things only—education and devotion. It is by learning and by love we shall reach the goal. You may perhaps recall what Richard Steele said of the Lady Elizabeth Hastings of his time: "To love her," he said, "is a liberal education." That magnificent compliment to the reigning beauty of another century is a fitting motto for our Empire of today.

But the subject I have been invited to present to you, though it makes no such appeal to our enthusiasms, is not less educational, and after thirty years of study it still seems to me of quite incomparable importance. Of all the things which belong to our peace, the great problem of our exchanges with Asia, hammers more and

more insistently upon our closed doors. "Diurnal," if you like, and complex and misunderstood; yet the Silver Question stands out the greatest of all the unsolved issues of our time.

### THE PACIFIC COAST AND SILVER.

And if it is possible to awaken public opinion on the silver question, here on the Pacific Coast is the place where its object lessons are the most obvious. Do you in Vancouver want to become a great emporium for trade with the Orient? Do you want to see your wharves busy with the ships, and your streets thronged with the sailors of many nations? Do your bankers want a great and growing business in selling and buying exchanges on Hong Kong and Shanghai, yes, and on Singapore, Madras and Bombay? Do you want to see your sawmills shipping your lumber to the Orient, and your grain elevators and flour mills, your wheat and flour, and fish and phosphates and a score of new exports? In short do you want to be one of the front gates for a trans-Pacific trade, and if so will you help to create a sensible public opinion, in the place of a drugged and perverted public opinion on the great question of exchange? Had I wanted a text for a sermon I found one a day or two since in the latest report of the Director of the Mint at Washington. The American Consul at Che-foo writes in May last of the

### EFFECT OF EXCHANGE ON TRADE.

He says: "The present rate of exchange is a check to American-Asiatic trade so far as exports from the United States are concerned. Commercial agents tell me that they can import nothing. American flour has stopped coming. I am told that many American exports have never been cheaper to the foreign buyer than at present, and that therefore our exports ought to be increasing; but a comparison of the rate of exchange for last year and now shows that in order to equalise the cost to the foreign buyer of \$100 (gold) worth of goods, they must now be sold for \$80 gold. Thus it is seen that unless a reduction materially over 20 per cent. of last year's price is made, American producers are not able to

hold out any financial inducement to their China buyers, as the extra items of freight and insurance paid in gold would compel a discount from the last year's price of at least 21 per cent."

### THIS IS THE REPORT FROM CHE-FOO.

When Mr. Root was Secretary of State last May he sent out a memorandum to all the United States Consuls in Asia asking what consequences had followed from the great fall in silver during the previous six months. The quotation which I have read from Che-foo fairly represents the replies of the entire Consular service and since that time silver has fallen much lower still. The great fall in silver exchange, the consuls agree, has paralyzed trade with China. Here, in Seattle, Tacoma, Portland and San Francisco, there is no merchant but knows it. "What has happened to our exports," said Mr. Hill to me last Autumn in St. Paul. "I had hoped to put a bag of wheat into the cottage of every Chinaman; now not a bag can be shipped." The exports of your lumber and flour to Asia which had just commenced in so promising a fashion, the exports too, of steel rails and of cottons, where are they? The demand of China with three hundred millions of customers, has suddenly dried up.

### THE PROBLEM OF THE EXCHANGES.

What is the position? What sort of a mechanism is this exchange mechanism? Is that big "Empress" steamship under your windows, sailing today for China, should break her shaft, you all know the consequences. Now, is a break in exchange of the same nature; does it also hold up the movement of goods to China? It seems to me that it does, and I must attempt to explain the reason in language intelligible to you. How is foreign trade carried on? Let me put it in this way. One of you gentlemen wishes to purchase an English motor car. You have decided to buy a "Napier" at the price quoted, a thousand pounds, and you go to your banker here and tell him you wish to pay the London firm a thousand pounds. Your banker looks



and we all help him, if only from motives of self-interest. And this being so, the only fire escape we can bring on the scene just now is the plan of the late Lord Goschen. Indeed it is hardly fair to father it on Lord Goschen. A Royal Commission on the Currency had sat under the presidency of Lord Herschell, and had recommended that small notes should be issued, against silver bullion, their legal tender limited to £2. Now here we are at least on very sound ground. That Royal Commission, when I recall its personnel, was perhaps the most distinguished of our time. The Lord Chancellor was its president; there were Mr. Balfour, destined shortly to be Prime Minister; and Mr. Chaplin, the Lord George Bentinck of our generation, then and now the leader of the country gentlemen in the House of Commons; Mr. Courtney, Mr. Montague and Sir Thomas Farrer, all three since elevated to the Peerage for distinguished services; Sir William Houldsworth, one of the most able and industrious representatives that the great City of Manchester ever sent to the House of Commons; Sir Louis Mallet, an economist of great distinction and a high official of the Government of India; Sir David Barbour, India's Finance Minister, and Sir Charles Fremantle, the Master of the Mint. Monometallists these men, and bimetalists in almost equal proportion, but it was the monometallists who in their report advocated the "Goschen plan," the bimetalists, while they held that it did not go far enough, yet accepted it as a portion of their report. This was the proposal accepted two years later by Mr. Goschen, when Chancellor of the Exchequer, and I say that a plan sponsored by a commission of such eminence, accepted by Mr. Goschen, a Chancellor of the Exchequer, an expert, if we ever had one in currency and exchange questions—such a plan is surely as the Ark of the Covenant for any measure of reform. We may quote that Commission and that Chancellor of the Exchequer, and we may go boldly forward, ruling as out of order the objections of the vast horde whose mission in life it is to object to everything; the horde of those who learn nothing and forget everything.

And what is the Goschen Plan which we "silver men" at that time killed

because we wanted an addition to the full legal tender currency, and this plan savored of subtraction? Very briefly indeed the plan was this: To call in the half-sovereigns and to issue a pound per capita more of fractional currency—currency like the dimes and quarters you carry here, and which, as they are not legal tender, do not at all affect prices, and through prices affect the exchanges. But you will at once say, "Oh, if you throw upon us additional fractional currency to the amount of five dollars per capita, we could never carry it in our pockets, it would be quite useless," and that objection is entirely sound. The Royal Commission and Mr. Goschen anticipated that objection; they agreed that the additional currency should take the shape of small notes; the silver represented by these notes, whether coined or uncoined, was to be held in the reserves. Such is the "Goschen Plan."

#### EFFECT ON THE ASIATIC EXCHANGE

Now, if this new form of currency, small, non-legal tender notes, representing fractional currency, should be adopted by one or two or three nations, let us say Canada, the United States and Great Britain, what will follow? There would be at once created a new demand for some six hundred million ounces of silver. At present, the production of silver is, let us say, roughly, two hundred million ounces, of which the silver-smiths take one-half; that leaves a hundred million ounces; of that sum India, as experience shows, requires annually for additions to her currency, at least thirty millions. The demand of a number of nations, Germany, Russia, France and the nations which form the Latin Union, may be reckoned at another 30 millions. There remains still the large but conjectural demand for silver needed by China, the Malay States and Africa—Africa, I may say, is certain to become a very large customer indeed. So that, with almost no present surplus of silver and with no silver to come out of hoards—for the greater the value in the same compass the greater the desire to hoard—the Goschen plan would create a demand which, spread over a quarter of a century, would go very far to restore the old rates of exchange with Asia.

It would cost us for a quarter of a century at least a dollar an ounce; this would enable us to sell, and China to buy from us the rails she needs for a vast railway system. The opening up of China by railways and the opening up of Africa by railways, will make a new demand for silver currency such as will strain the productive power of every silver mine in the world. "Dollar Silver" will give us by the great expansion of our export trades to Asia and Africa, an invaluable object lesson; it will show us to what extent cheap silver has poisoned our system both financially and industrially, in the last 30 years, and whether Professor Walker was correct in regarding cheap silver as a menace to Western civilisations. If after a quarter of a century of an experiment, so safe yet so magnificent, we let the exchanges again drift back to their present point of disaster, we the white races everywhere, will deserve their fate. Other exchange earthquakes will come, such as those of 1893 and 1907; the sceptre of industrial supremacy may cross the Pacific Ocean to remain there; the Green Dragon Banner of China and the Crescent of the Prophet may triumph against the forces of Christianity; the East in its factories may win from us what it can never win in the field.

#### OLD AGE PENSIONS AND SILVER.

So short sighted are our legislators that a great race peril such as this has often been overlooked. Take for example that amendment to the Constitution which has introduced across the border a huge sectional African vote. But in England the need for more revenue is almost certain to secure the adoption of the Goschen Plan by our next Administration. That Administration will find itself burdened with at least eight millions of pounds yearly for old age pensions. Where is this vast sum and swollen navy estimates, to come from? The Chancellor of the Exchequer will look round; he will see a great profit for some years in the small note issue. At the present price of silver, our shilling nominally twelve pence, costs only four pence. So that until silver advances, the five shilling pensions can be paid with a crown note which costs only one and eight pence. And when

the profit is reduced by an advance in the price of silver, then also the silver exchanges will have advanced, greatly expanding our export trades and thus permitting a higher scale of tariffs under the new system of Revenue about to commence.

#### FAIR TRADE AND FAIR EXCHANGE.

Gentlemen, I have, I fear, much exceeded the half-hour which is the usual limit at these pleasant gatherings. And yet I have not said a tenth part of what there is to say. But perhaps, the spoken word may attract you to the written word. I have come reluctantly to the conviction, after nearly 30 years, that to win students to this question by mere writing is, hopeless. The most brilliant body of economists of any generation have failed—Walker and Bagehot and Jevons, Wolowski and De Laveleye, Mallet and Horton and Cernuschi; these men and many more are gone over to the majority, while the economists now living, and who, at least in England, were all with us, have clean given up the fight in despair, or, indeed, in disgust. But again the issue is emerging, the danger must become more imminent still, and if we can attract speakers we shall win readers too. That is my hope, indeed my very strong conviction. What has been the experience of the last five years? A perfectly unattainable ideal in England which Carlyle called a "Calico Millennium," talked into being by Bright and Cobden, has now been talked out upon the rubbish heap by one man, by the irony of Fate, that man Bright's own colleague in Birmingham. Where the most brilliant writers from the time of List had failed, there Charles Cairnes's voice has won. The walls of Jericho totter to their fall. And even though fair exchanges, exchanges fair to white men, may have to wait a year or two for fair trade, yet the dawn of sense is near.

For the good men the world over who have nursed the great question with their sympathies all the years past I recall Arnold's bright verses:

"Charge once more, and then be dumb;  
Let the Victors, when they come,  
When the Forts of Folly fall,  
Find the body by the wall."

The conclusion of Mr. Frewen's address was greeted with loud and continued applause, and in proposing a vote of thanks to the speaker, Mr. Ewing Buchan styled it one of the most interesting speeches ever made to the Club. They had had many excellent speeches by noted speakers on nearly all conceivable subjects, but this was the first opportunity they had had of listening to an address on the great subject of finance, and it was the more valuable as coming from so eminent an authority.

Rev. A. U. De Pencier seconded the motion, which carried with applause.

Mr. Frewen, in acknowledging, said he had been asked to make one statement. A society called "The Fair Exchange League" had been formed in Ottawa, and the Secretary wished to correspond with secretaries of similar bodies in other cities. Mr. Panton had kindly consented to act as Honorary Secretary for a similar league in this City, and any one interested in the matter might communicate with him.



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